

Summary Analysis of the Governor's FY 2011 Budget Recommendations

House Appropriations Committee
February 3, 2010

Fiscal Services Division

Holly M. Lyons, Director
Dave Reynolds, Senior Analyst

(515) 281-7845
holly.lyons@legis.state.ia.us

Revenue Estimate

- December Revenue Estimate
 - FY 2010 = - 8.5% or \$490.1 million less than actual FY 2009 revenue
 - FY 2011 = 1.5% or \$77.7 million more than the new FY 2010 estimate

As of January 30, estimated daily receipts for FY 2010 (excluding transfers) were running right at -7.5%.

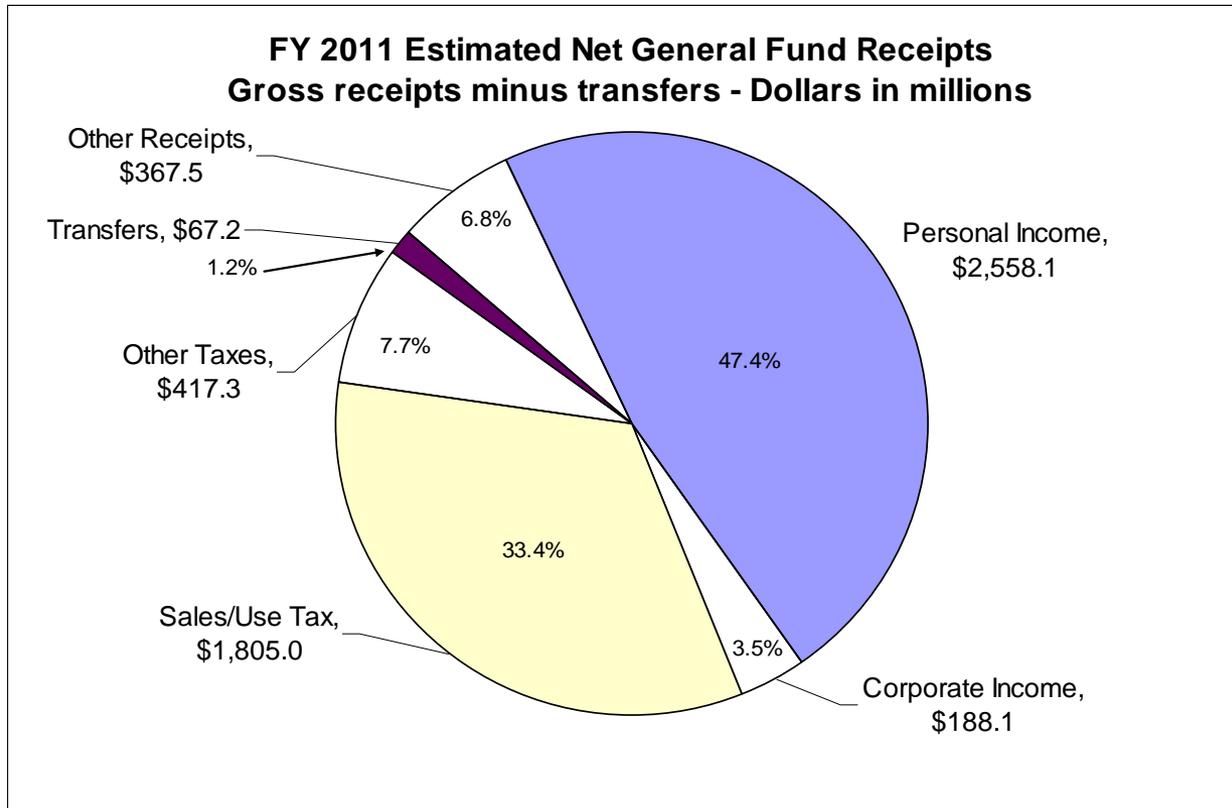
U.S. entered a recession in December 2007. Revenue growth in Iowa began to slow in April 2008 and has weakened significantly. U.S. recession may have ended late last summer. Iowa revenues may not have bottomed out yet.

Seeing some positive signs in economic indicators, but recovery predicted to be slow.

Where does the money come from?

FY 2011 Estimated Net General Fund Receipts

\$ in millions



Total = \$5,403.2 million

*Other taxes include; Inheritance, Insurance, Beer, and Franchise Tax.
Net receipts after adjustments for transfers and refunds.

FY 2010 Revenue Decline and Reaction

- General Assembly enacted a balanced budget with estimated surplus of \$97.6 million.
- Revenues declined dramatically due to the economy.
- REC met in October and revised the FY 2010 GF revenue estimate downward by \$415.7 million.
- Resulted in a projected deficit of \$317.8 million.
- Oct. 8, Governor issued Executive Order requiring a 10% ATB reduction to all FY 2010 appropriations, cutting \$564.4 million from the budget.
- Legislative and Judicial Branches announced reductions to their FY 2010 budgets.
- Total reduction of \$579.1 million and estimated surplus of \$167.7m.
 - See p. 9-10 of [LSA Budget Analysis](#) for more detail.

FY 2010 Governor's Recommendation

FY 2010 General Fund Budget

(Dollars in Millions)



	<u>Enacted</u>	<u>Oct. 7 Estimate</u>	<u>Current Estimate</u>	<u>Gov Rec</u>
Funds Available:				
Estimated Receipts	\$ 5,853.4	\$ 5,438.0	\$ 5,401.2	\$ 5,401.2
Appropriations and Expenditures:				
Appropriations	5,768.3	5,768.3	5,768.3	5,768.3
Statutory Repayment to Econ. Emerg. Fund			45.3	45.3
10.0%/7.1% Reductions (All Branches)			- 579.1	- 579.1
Recommended Supplementals				64.7
Total Appropriations	<u>5,768.3</u>	<u>5,768.3</u>	<u>5,234.5</u>	<u>5,299.2</u>
Reversions	<u>- 12.5</u>	<u>- 12.5</u>	<u>- 1.0</u>	
Net Appropriations	<u>5,755.8</u>	<u>5,755.8</u>	<u>5,233.5</u>	<u>5,299.2</u>
Ending Balance - Surplus	<u>\$ 97.6</u>	<u>\$ - 317.8</u>	<u>\$ 167.7</u>	<u>\$ 102.0</u>



Governor's Recommended FY 2010 Supplemental Appropriations

- Recommended \$64.7 million in supplemental appropriations: (requires legislative action)

Dept. of Education	\$ 10.8 million
Regents	30.4
Health & Human Services	4.5
Indigent Defense	10.9
Corrections	7.5
Public Defense	<u>0.6</u>
	64.7 million

Governor's Recommended FY 2010 Supplemental Appropriations Compared to ATB Reductions

Education	<u>ATB Reduction</u>	<u>Recommended Supplemental</u>	<u>Difference</u>
Department of Education			
Child Development (standing)	\$ 1,149,389	\$ 1,149,389	\$ 0
Nonpublic School Textbooks	62,563	62,563	0
Early Care, Health and Education	54,595	54,595	0
Teacher Quality	892,428	892,428	0
Voluntary Preschool	1,194,569	1,194,569	0
Iowa Core Curriculum	197,954	197,954	0
Enrich Iowa Libraries	179,608	179,608	0
Senior Year Plus	140,566	140,566	0
K-12 Management Information System	23,000	23,000	0
Empowerment - Preschool Tuition	877,215	877,215	0
Community Colleges	15,867,850	5,943,581	-9,924,269
Board of Regents			
University of Iowa	24,695,403	14,371,621	-10,323,782
Iowa State University	23,873,755	10,839,521	-13,034,234
University of Northern Iowa	8,778,314	5,227,665	-3,550,649
Total Education	<u>\$ 77,987,209</u>	<u>\$ 41,154,275</u>	<u>\$ -36,832,934</u>



Governor's Recommended FY 2010 Supplemental Appropriations Compared to ATB Reductions

Education	<u>ATB Reduction</u>	<u>Recommended Supplemental</u>	<u>Difference</u>
Health and Human Services			
Department of Human Services - State Cases	\$ 1,151,081	\$ 100,163	\$ -1,050,918
Department of Public Health			
Addictive Disorders	2,865,250	2,627,532	-237,718
Healthy Children and Families	224,917	329,267	104,350
Chronic Conditions	275,624	321,643	46,019
Community Capacity	411,685	23,000	-388,685
Elderly Wellness	834,578	834,578	0
Infectious Diseases	163,066	203,970	40,904
Public Protection	356,999	23,248	-333,751
Birth Institute Registry (standing)	20,684	20,684	0
Total Health and Human Services	<u>\$ 6,303,884</u>	<u>\$ 4,484,085</u>	<u>\$ -1,819,799</u>
Justice Systems			
Dept of Inspections & Appeals - Indigent Defense	\$ 2,174,318	\$ 10,900,000	\$ 8,725,682
Department of Corrections - Operations	34,842,671	7,558,560	-27,284,111
Department of Public Defense - Military Division	624,920	526,202	-98,718
Dept. of Public Defense - Homeland Security	203,812	61,614	-142,198
Total Justice Systems	<u>\$ 37,845,721</u>	<u>\$ 19,046,376</u>	<u>\$ -18,799,345</u>
Total Supplemental Appropriations	<u><u>\$ 122,136,814</u></u>	<u><u>\$ 64,684,736</u></u>	<u><u>\$ -57,452,078</u></u>

NOTE: Regents represents ATB reductions in Education Subcommittee area only.

Governor's Recommendation FY 2010 & FY 2011

See LSA p. 12-13

STATE OF IOWA Projected Condition of the General Fund (Dollars in Millions)

	Actual FY 2009	Current Estimated FY 2010*	Gov Rec FY 2010	Gov Rec FY 2011
Estimated Funds Available:				
Estimated Receipts (Dec. 11, 2009)	\$ 7,061.2	\$ 6,685.4	\$ 6,685.4	\$ 6,657.2
Tax Refunds	- 803.9	- 901.0	- 901.0	- 898.0
School Infras. Refunds (Accrual)	- 385.8	- 369.3	- 369.3	- 374.2
Accruals	17.2	- 13.9	- 13.9	18.2
Economic Emergency Fund Transfer	45.3			
Governor Revenue Adjustments			0.0	34.8
Total Funds Available	5,934.0	5,401.2	5,401.2	5,438.0
Expenditure Limitation				5,382.3
Estimated Appropriations and Expenditures:				
Appropriations	5,959.0	5,768.3	5,768.3	5,661.7
Adjustment to Standings				
Statutory Repayment to Econ. Emerg. Fund		45.3	45.3	
Executive Branch: 10% ATB Reduction		- 564.4	- 564.4	
Legislative Branch: 10% Reduction		- 3.3	- 3.3	
Judicial Branch: 7.1% Reduction		- 11.4	- 11.4	
Recommended Supplemental Appropriations			64.7	
Public Works Efficiency Reduction				- 341.0
Total Appropriations	5,959.0	5,234.5	5,299.2	5,320.7
Reversions	- 25.0	- 1.0		
Net Appropriations	5,934.0	5,233.5	5,299.2	5,320.7
Ending Balance - Surplus	\$ 0.0	\$ 167.7	\$ 102.0	\$ 117.3
Below (Above) Expenditure Limit				\$ 61.6
Appropriations/Transfers to Other Funds				
Property Tax Credit Fund	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Senior Living Trust Fund	0.0	48.2	48.3	0.0
Cash Reserve Fund	0.0	119.5	53.7	117.3
Total	\$ 0.0	\$ 167.7	\$ 102.0	\$ 117.3

Numbers may not equal totals due to rounding.

*After the December REC meeting.

Governor's Recommended FY 2011 Revenue Adjustments

- Total of \$34.8 million.
- A decrease of \$8.9 million for DCI gaming enforcement.
- A decrease of \$8.8 million for disaster loss coupling.
- An increase of \$52.5 million for reduced tax credit exemptions.

Tax Credit Program	FY 2011 Fiscal Impact Identified in the Tax Credit Study	Tax Credit Study Recommendation
Disaster Recovery Housing Tax Credit	\$ 1,500,000	Eliminate the credit
Early Childhood Development Tax Credit	250,000	Eliminate the credit
Film, T.V., and Video Project Program	38,187,000	Eliminate the credit
Research Activities Tax Credit	699,000	The tax credit would no longer be refundable for companies with gross sales exceeding \$20.0 million
School Tuition Organization Tax Credit	1,799,000	Lower the annual cap to \$5.0 million and reduce the tax credit percentage to 40.0%
Tuition and Textbook Tax Credit	12,788,000	Limit the tax credit to taxpayers with annual gross income of \$45,000 or less
Total	\$ 55,223,000	

Spending Comparison

General Fund, Reserve Funds & Stimulus Funds

(Dollars in Millions)

	Actual FY 2009	Gov Rec FY 2010	Gov Rec FY 2011	Change	Percent Change	
General Fund Appropriations	\$ 5,959.0	\$ 5,299.1	\$ 5,320.7	\$ 21.6	0.4%	←
Reserve Funds						
Cash Reserve Fund	0.0	80.3	207.5	127.2		
Economic Emergency Fund	56.0	0.0	0.0	0.0		
Total Stimulus	<u>56.0</u>	<u>80.3</u>	<u>207.5</u>	<u>127.2</u>	158.4%	←
Federal Stimulus Funds						
Medicaid	114.0	207.6	94.2	-113.4		
Education Stabilization	40.0	321.0	25.4	-295.6		
Government Stabilization	0.0	63.4	22.6	-40.8		
Total Stimulus	<u>154.0</u>	<u>592.0</u>	<u>142.2</u>	<u>-449.8</u>	-76.0%	←
Total Gen. Fund & Stimulus	<u>\$ 6,169.0</u>	<u>\$ 5,971.4</u>	<u>\$ 5,670.4</u>	<u>\$ - 301.0</u>	-4.9%	←

Appropriations By Subcommittee

	Estimated FY 2010 (1)	Gov Rec Net FY 2010 (2)	Gov Rec FY 2011 (3)	Gov Rec FY11 vs Gov Rec FY 10 (4)	Percent Change (5)
Administration and Regulation	\$ 60,979,242	\$ 60,979,242	\$ 63,766,703	\$ 2,787,461	4.6%
Agriculture and Natural Resources	36,258,092	36,258,092	36,285,012	26,920	0.1%
Economic Development	40,616,635	40,616,635	41,904,957	1,288,322	3.2%
Education	815,857,704	855,862,590	860,978,502	5,115,912	0.6%
Health and Human Services	1,122,502,983	1,126,966,384	1,326,620,074	199,653,690	17.7%
Justice System	625,772,972	633,446,213	639,776,794	6,330,581	1.0%
Transportation, Infrastructure, and Capitals	1,350,000	1,350,000	0	-1,350,000	-100.0%
Unassigned Standings	2,545,816,544	2,543,646,206	2,692,354,405	148,708,199	5.8%
Subtotal	\$ 5,249,154,172	\$ 5,299,125,362	\$ 5,661,686,447	\$ 362,561,085	6.8%
Reorganization/Efficiencies*	0	0	-341,000,000	-341,000,000	
TOTAL	\$ 5,249,154,172	\$ 5,299,125,362	\$ 5,320,686,447	\$ 21,561,085	0.4%

Note: The Governor is recommending expenditure reductions totaling \$341.0 million related to the implementation of proposed recommendations outlined in the Iowa Efficiency Review Report conducted by Public Works LLC. The recommended reductions are not identified by appropriation.



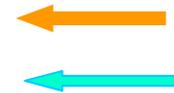
See LSA p. 24

Reserve Funds

State of Iowa Reserve Funds

(Dollars in Millions)

	Actual FY 2009	Estimated FY 2010	Gov Rec FY 2011
Cash Reserve Fund (CRF)			
Balance Brought Forward	\$ 444.3	\$ 465.2	\$ 319.9
Gen. Fund Appropriation from Surplus	48.3	0.0	53.7
Total Funds Available	492.6	465.2	373.6
Adjustments			
Transfer to General Fund (SF 478)	0.0	-65.0	0.0
Appropriation to Executive Council	0.0	-25.6	-30.0
Property Tax Credit Appropriation	0.0	-54.7	-54.7
Appropriation to School Aid Formula	0.0	0.0	-100.0
Appropriation to MR/DD Property Tax Replacement	0.0	0.0	-22.8
Total Adjustments	0.0	-145.3	-207.5
Excess Transferred to EEF	- 27.4	0.0	0.0
Balance Carried Forward	<u>\$ 465.2</u>	<u>\$ 319.9</u>	<u>\$ 166.1</u>
<i>Maximum 7.5%</i>	\$ 465.2	\$ 439.2	\$ 407.9
	Actual FY 2009	Estimated FY 2010	Gov Rec FY 2011
Economic Emergency Fund (EEF)			
Balance Brought Forward	\$ 148.1	\$ 53.8	\$ 99.1
General Fund Repayment (Sec. 8.55)	0.0	45.3	0.0
Excess from Cash Reserve	27.4	0.0	0.0
Total Funds Available	175.5	99.1	99.1
Excess Transferred to SLTF	-20.4	0.0	0.0
Rebuild Iowa Appropriation	-56.0	0.0	0.0
Transfer to General Fund	-45.3	0.0	0.0
Balance Carried Forward	<u>\$ 53.8</u>	<u>\$ 99.1</u>	<u>\$ 99.1</u>
<i>Maximum 2.5%</i>	\$ 155.1	\$ 146.4	\$ 136.0



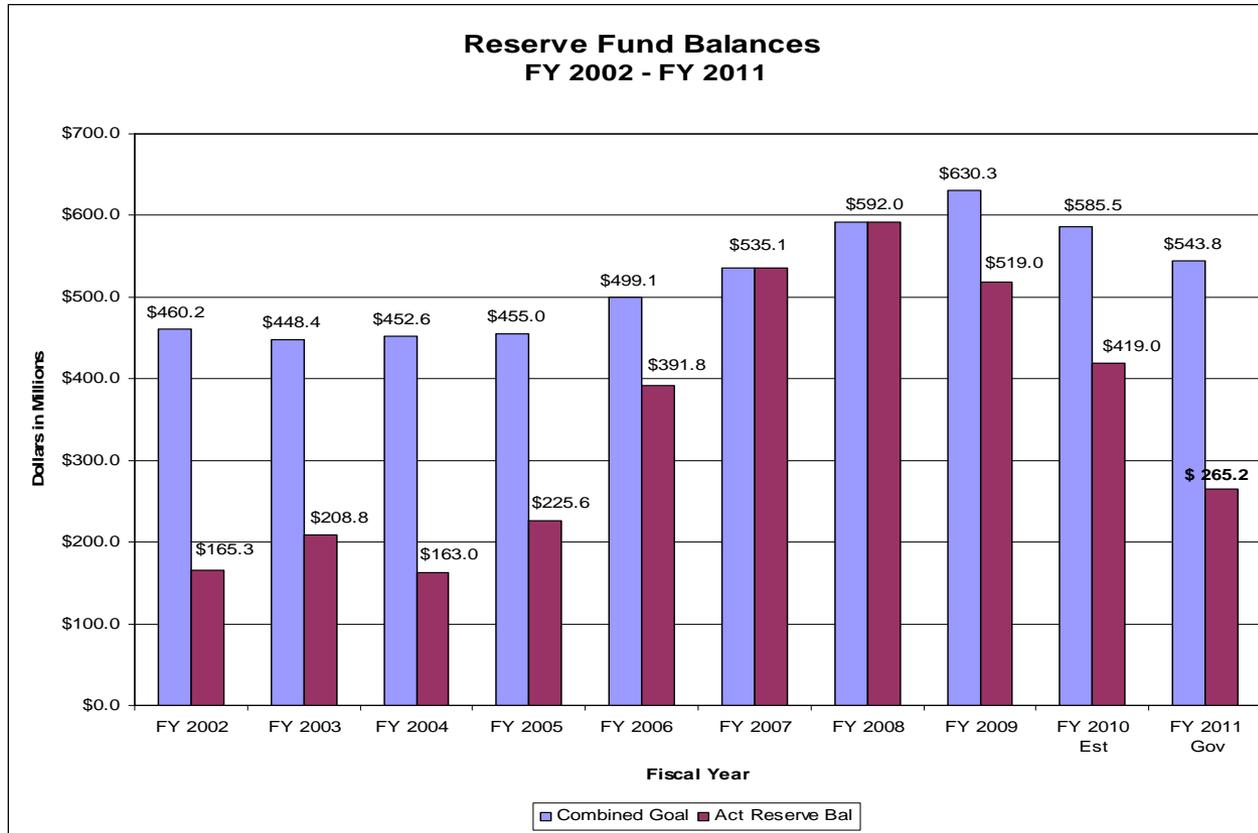
Senior Living Trust Fund Repayment Balance

	Actual FY 2009	Estimated FY 2010	Gov Rec FY 2011
Senior Living Trust Fund (SLTF) Requirement			
Balance Brought Forward	\$ 183.1	\$ 251.8	\$ 251.8
Gen. Fund Appropriation from Surplus	48.3	0.0	48.2
Economic Emergency Fund Excess	20.4	0.0	0.0
Cumulative Repayment Balance	<u>\$ 251.8</u>	<u>\$ 251.8</u>	<u>\$ 300.0</u>
<i>Maximum \$300.0 million</i>			



Reserve Funds

Cash Reserve + Economic Emergency Fund



Summary

Total Combined Balances

Total Combined Goal

Difference

Percent of Goal

	Actual FY 2009	Estimated FY 2010	Gov Rec FY 2011
Total Combined Balances	\$ 519.0	\$ 419.0	\$ 265.2
Total Combined Goal	620.3	585.5	543.8
Difference	-101.3	-166.5	-278.6
Percent of Goal	83.7%	71.6%	48.8%

Comparison of All Appropriated Funds

(Dollars in Millions)

<u>Funding Sources</u>	<u>Actual FY 2009</u>	<u>Est. Net FY 2010</u>	<u>Gov. Rec. FY 2011</u>	<u>Gov. Rec. vs. FY 2009</u>	<u>Percent Change</u>
GENERAL FUND					
Total General Fund Appropriations	\$ 5,959.0	\$ 5,299.1	\$ 5,320.8	\$ 21.7	0.4%
<i>General Fund Appropriations to Other Funds *</i>					
Mental Health Property Tax Relief Fund	-6.2	-3.3	-3.3	0.0	
Health Care Trust Fund	-125.7	-106.0	-106.0	0.0	
Property Tax Credit Fund	-43.7	-91.3	-91.3	0.0	
Total GF Appropriations to Other Funds	-175.6	-200.6	-200.6	0.0	
Net General Fund Appropriations	\$ 5,783.4	\$ 5,098.5	\$ 5,120.2	\$ 21.7	0.4%
APPROPRIATIONS FROM NON-GENERAL FUND STATE SOURCES					
Rebuild Iowa Infrastructure Fund	\$ 226.4	\$ 211.3	\$ 159.0	\$ - 52.3	-24.8%
RIIF Appropriations to Other Funds*	-109.5	-84.0	-83.0	1.0	
Net RIIF Appropriations	\$ 116.9	\$ 127.3	\$ 76.0	\$ - 51.3	-40.3%
Cash Reserve Fund	\$ 0.0	\$ 80.3	\$ 207.5	\$ 127.2	158.4%
CRF Appropriations to Other Funds*	0.0	-54.7	-54.7	0.0	
Net CRF Appropriations	\$ 0.0	\$ 25.6	\$ 152.8	\$ 127.2	496.9%
Primary Road Fund	\$ 291.0	\$ 302.4	\$ 301.8	\$ - 0.6	-0.2%
Temporary Assistance for Needy Families (TANF)	142.7	152.9	160.6	7.7	5.0%
IJOBS Revenue Bonds II	0.0	0.0	150.0	150.0	
Property Tax Credit Fund	159.9	149.8	146.0	-3.8	-2.5%
Federal Recovery & Reinvestment Fund (FRRF-ARRA)	154.0	592.0	142.1	-449.9	-76.0%
Iowa Care Account	118.3	120.3	120.3	0.0	0.0%
Health Care Trust Fund	129.7	106.9	106.9	0.0	0.0%
Road Use Tax Fund	51.9	52.9	51.6	-1.3	-2.5%
Senior Living Trust Fund	122.3	28.2	48.3	20.1	71.3%
Fish and Game Fund	38.8	38.8	38.8	0.0	0.0%
Environment First Fund	42.0	42.0	35.0	-7.0	-16.7%
Other Funds	58.9	27.4	28.8	1.4	5.1%
Commerce Revolving Fund	0.0	26.7	27.0	0.3	1.1%
IPERS Fund	17.8	18.0	17.7	-0.3	-1.7%
Technology Reinvestment Fund	17.5	14.8	9.9	-4.9	-33.1%
Revenue Bonds Capitals Fund	185.0	360.0	1.0	-359.0	-99.7%
DHS Reinvestment Fund	0.0	16.1	0.0	-16.1	-100.0%
Prison Bond Fund	130.7	0.0	0.0	0.0	
Iowa Economic Emergency Fund	56.0	0.0	0.0	0.0	
Grow Iowa Values Fund	40.7	0.0	0.0	0.0	
Healthy Iowans Tobacco Trust (HITT) Fund	36.5	0.0	0.0	0.0	
Total Non-General Fund	1,910.6	2,202.1	1,614.6	-587.5	-26.7%
SUBTOTAL OF ALL STATE FUNDS	\$ 7,694.0	\$ 7,300.6	\$ 6,734.8	\$ - 565.8	-7.8%

* Appropriations between funding sources are adjusted to avoid double counting.

LSA Calculation of "Spending Gap"

STATE OF IOWA Projected Condition of the General Fund (Dollars in Millions)

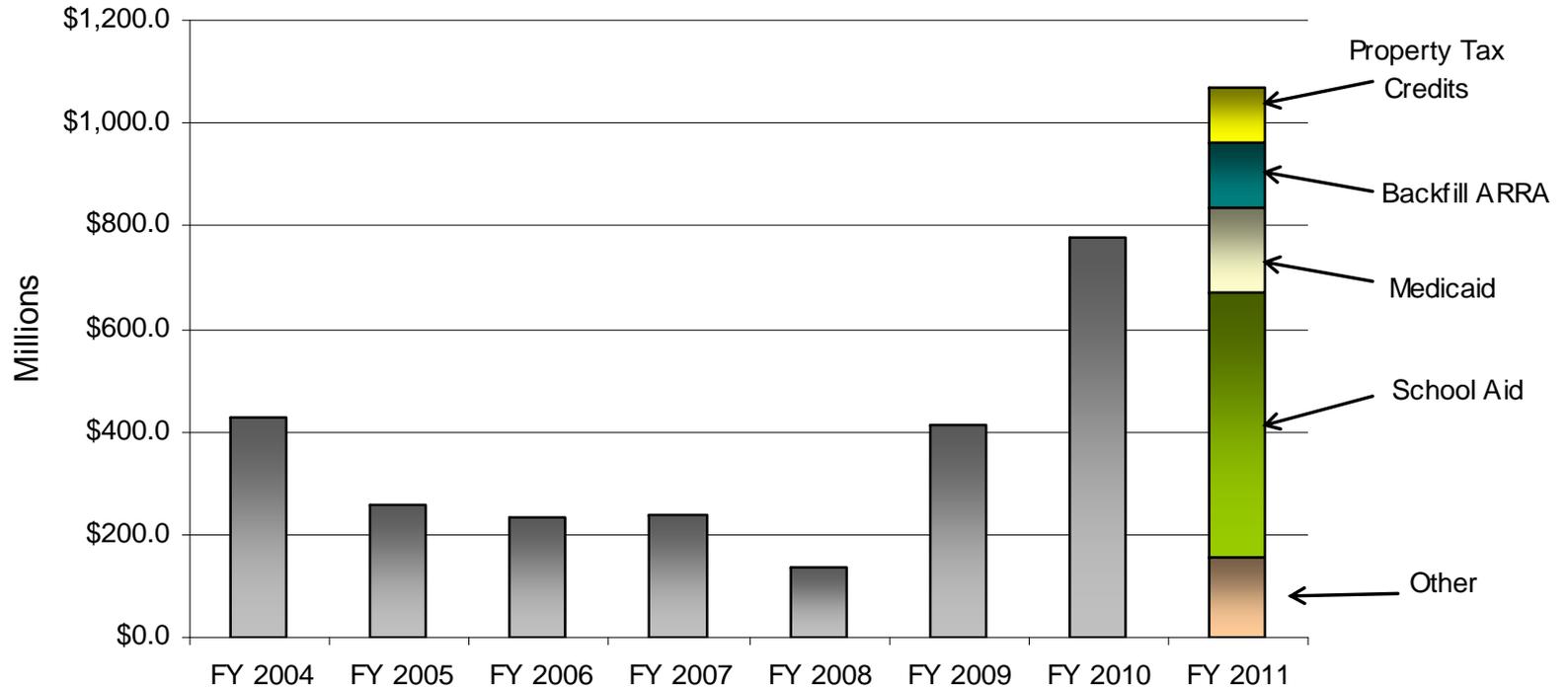
	Actual FY 2009	Estimated FY 2010*	LSA Est FY 2011*
Estimated Funds Available:			
Estimated Receipts (Dec. 11, 2009)	\$ 5,888.7	\$ 5,401.2	\$ 5,403.2
Economic Emergency Fund Transfer	45.3		
Governor Revenue Adjustments			
Total Funds Available	<u>5,934.0</u>	<u>5,401.2</u>	<u>5,403.2</u>
Expenditure Limitation			5,349.2
Estimated Appropriations and Expenditures:			
Appropriations	5,959.0	5,768.3	5,234.5
Statutory Repayment to Econ. Emerg. Fund		45.3	
Public Works Efficiency Reduction			
All Branches of Gov't ATB Reductions		- 579.1	
Built-in and Anticipated Increases			<u>1,185.9</u>
Total Appropriations before Adjustment	<u>5,959.0</u>	<u>5,234.5</u>	<u>6,420.4</u>
Adjustment to Balance Budget (Spending Gap)			<u>- 1,071.2</u>
Total Appropriations	<u>5,959.0</u>	<u>5,234.5</u>	<u>5,349.2</u>
Reversions	- 25.0	- 1.0	- 12.5
Net Appropriations	<u>5,934.0</u>	<u>5,233.5</u>	<u>5,336.7</u>
Ending Balance - Surplus	<u>\$ 0.0</u>	<u>\$ 167.7</u>	<u>\$ 66.5</u>

Numbers may not equal totals due to rounding.

* This column shows the LSA's projected spending gap based on estimated built-in and anticipated expenditure increases as of January 30, 2010.

"Spending Gap" - Historical

Estimated General Fund Spending Gap
Prior to Session

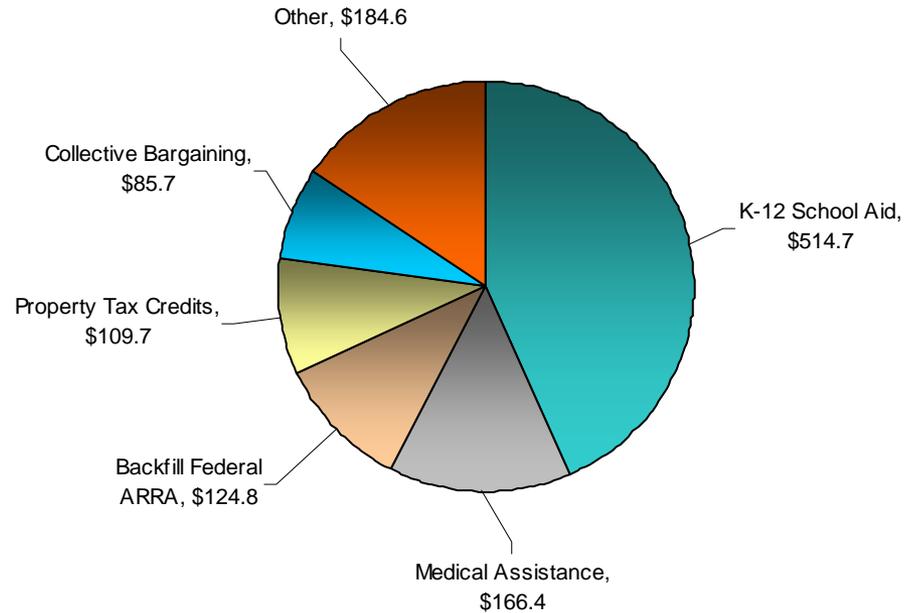


**FY 2011 General Fund Built-in
and Anticipated Expenditures**
(Dollars in Millions)

	<u>Total</u>	<u>% of Total</u>
K-12 School Aid	\$ 514.7	44.1%
Medical Assistance	166.4	15.4%
Backfill Federal ARRA (Non-Standing)	124.8	10.1%
Property Tax Credits	109.7	9.0%
Collective Bargaining	85.7	8.4%
Other	184.6	13.0%
Total	\$ 1,185.9	100.0%

FY 2011 "Built-ins"

FY 2011 Built-in and Anticipated Expenditure Increases
(Dollars in Millions)



See LSA p. 20-23

How the Governor's Rec Impacts the FY 2011 Spending Gap

- Assuming \$341.0 million in savings from reorganization and efficiencies. The Governor does not specifically delineate what appropriations will be reduced due to the savings.
- Appropriating \$207.5 million from the Cash Reserve Fund.
- Making revenue adjustments, including reducing tax credit redemptions by \$52.5 million.
- Not fully funding the built-in and anticipated expenditures and shifting programs typically funded from the General Fund to other funding sources.
- Reducing the General Fund School Aid appropriation by \$170.2 million.
- Not funding the increase for the collective bargaining costs.
- This list is not all inclusive. The built-in and anticipated expenditures figure can change throughout the year. A spending gap is also adversely affected by declining revenues.

FY 2011 – Governor’s State School Aid Recommendation

- Leave the FY 2011 allowable growth rate at 2.0% for regular school aid and the State categorical supplements.
- Funding State school aid at a total of \$2,494.1 (total of General Fund, ARRA, and Cash Reserve Fund), which is approximately \$170.2 million below the Governor’s estimate to fully fund State school aid for FY 2011.
- Using \$47.9 million in American Recovery and Reinvestment Act (ARRA) Education Fiscal Stabilization and Government Services funding in lieu of State General Fund dollars.
- Using \$100.0 million from the State Cash Reserve Fund to replace State General Fund dollars.
- See the table on the next page.

Governor's Recommendation for FY 2011 State School Aid Funding

(Dollars in Millions)

	Estimated FY 2010	Governor's Recommendation FY 2011	Change
Total Regular School Aid	\$ 2,276.9	\$ 2,302.1	\$ 25.2
Preschool Aid	\$ 33.3	\$ 47.3	\$ 14.0
Teacher Salary Supplement	251.3	256.0	4.8
Professional Development Supplement	28.5	29.0	0.5
Early Intervention Supplement	29.3	29.8	0.6
Total State Categorical Supplement	\$ 309.0	\$ 314.9	\$ 5.9
Total School Aid Prior to Adjustments*	\$ 2,619.2	\$ 2,664.3	\$ 45.1
State Aid Shortfall	-31.7	-170.2	-138.5
State Aid Change for ARRA Funding	-202.5	-48.0	154.5
State Change for Cash Reserve Fund	N.A.	-100.0	-100.0
State Aid Reduction due to ATB Reduction	-238.5	0.0	238.5
Total State Aid Adjustments	\$ -472.7	\$ -318.2	\$ 154.5
Total State Aid from State General Fund	\$ 2,146.5	\$ 2,346.1	\$ 199.6
ARRA Education Stimulus	\$ 202.5	\$ 48.0	\$ -154.5
Cash Reserve Fund	N.A.	\$ 100.0	\$ 100.0
Total School Aid - All Sources	\$ 2,349.0	\$ 2,494.1	\$ 145.1
Unfunded State School Aid	\$ 270.2	\$ 170.2	\$ -100.0

*Estimated amount required to fully fund State's portion of the school finance formula.

FY 2011 – Governor’s State School Aid Recommendation

- With no reduction in the FY 2011 allowable growth rate or State cost per pupil, school districts will maintain the budget authority on their portion of the unfunded State school aid.
- School districts may address the State aid shortfall by reducing costs, borrowing funds to replace the State aid shortfall, or using cash reserves to replace the State aid shortfall.

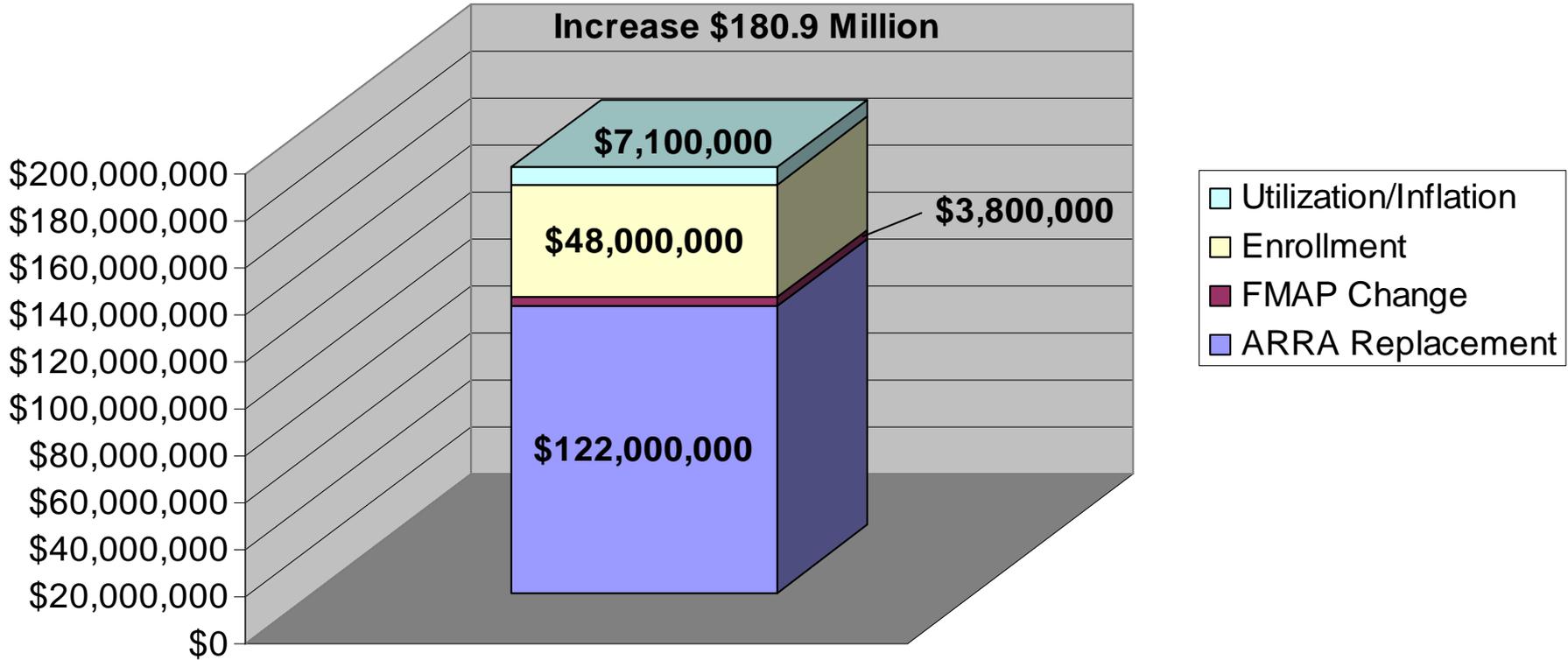
Medicaid

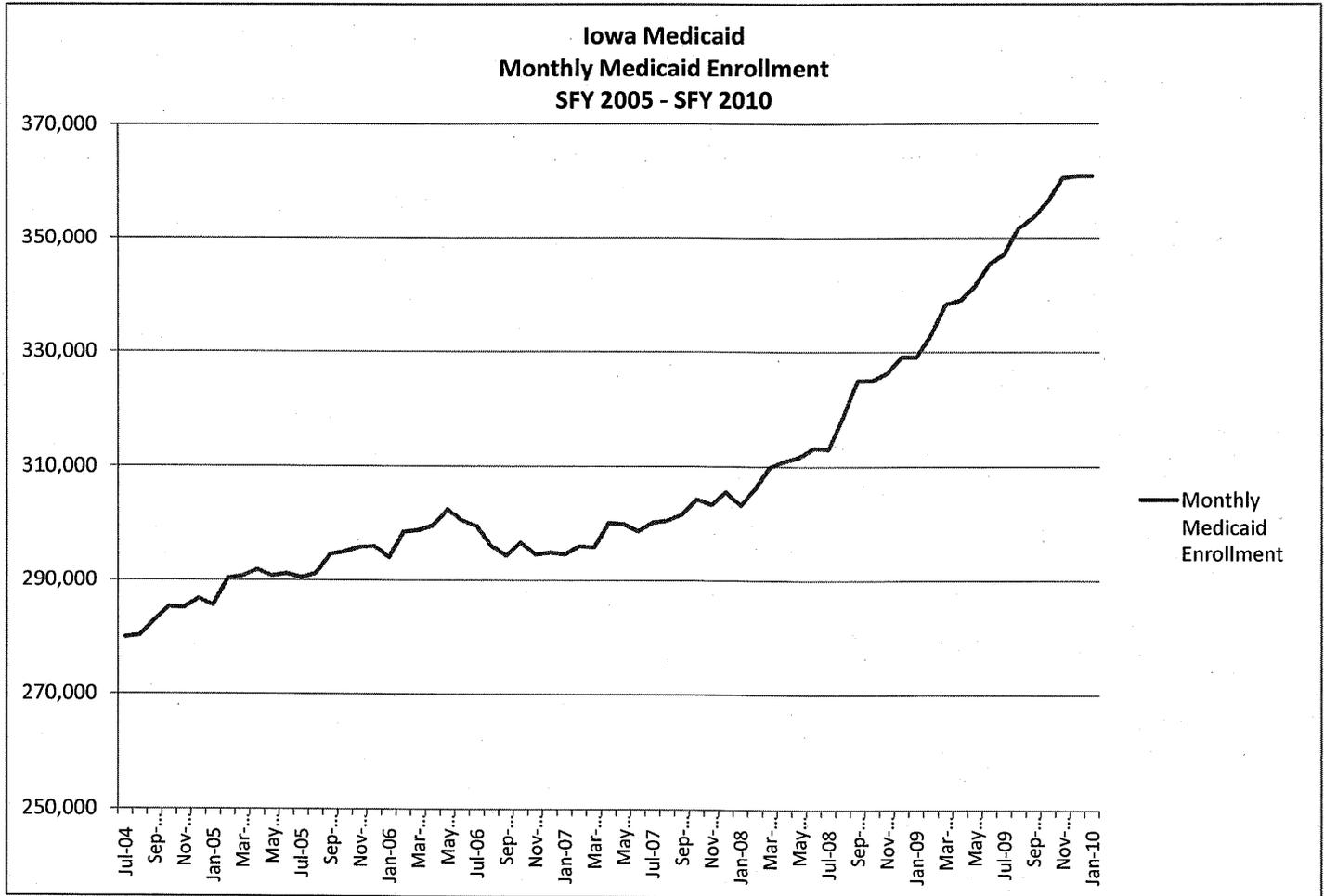
Governor's FY 2011 Recommendation Compared to FY 2010 Estimated Net

	Actual FY 2009	Net FY 2010	FY 2011 Gov's Recomm.	Difference: FY 10 vs. Gov's Rec
General Fund	\$ 593,302,330	\$ 610,096,134	\$ 790,982,609	\$ 180,886,475
Previous Year Carryforward	0	36,587,215	3,000,000	-33,587,215
HCTF	114,351,496	100,650,740	100,650,740	0
SLTF	111,753,195	17,686,828	37,740,908	20,054,080
Covering All Kids	2,758,000	2,297,649	2,297,649	0
Property Tax Relief	6,501,000	3,271,911	3,271,911	0
Transfers	3,819,318	-2,145,368	0	2,145,368
ARRA	113,976,907	216,164,791	94,206,702	-121,958,089
Total	\$ 946,462,246	\$ 984,609,900	\$ 1,032,150,519	\$ 47,540,619
Total Estimated Need*	\$ 909,875,031	\$ 981,609,900	\$ 1,032,150,519	-
Additional Need	\$ 36,587,215	\$ 3,000,000	\$ 0	-

* The total estimated need is the midpoint of the Medicaid forecasting work group projections.

Iowa Medicaid - FY 2011 Governor's General Fund Increase





	SFY 2005	SFY 2006	SFY 2007	SFY 2008	SFY 2009	SFY 2010 (7 Months)
Average Enrollment	286,685	296,451	296,797	305,941	330,286	355,937
% Change		3.41%	0.12%	3.08%	7.96%	7.77%
Ending Enrollment	291,111	300,589	298,760	313,219	345,392	360,927
% Change		3.26%	-0.61%	4.84%	10.27%	4.50%

Governor's Bonding Proposals

- Recommends altering the FY 2011 bonding that was authorized in SF 477 in 2009 Session.
- Issuing revenue bonds instead of appropriations bonds.
- Proposes creating a new I-Jobs Revenue Bonds II Fund to received \$150 million from revenue bonds.
- Estimated debt on issuance = \$269.2 million (\$171.1 m in principal)
- Guaranteed with the \$11.8 million unencumbered balance remaining from the \$55.0 million in wagering taxes that are allocated to pay the debt service on the revenue bonds authorized by SF 376 from the 2009 Session.
- Tax Exempt Proceeds and must meet IRC restrictions.

See LSA p. 55-56

IJOBS Revenue Bonds II Fund

Dollars in Millions

	<u>Gov. Rec.</u> <u>FY 2011</u>
Resources	
Beginning Balance	\$ 0.0
Bond Proceeds	150.0
Total Available Resources	<u>\$ 150.0</u>
 Appropriations	
<u>Department of Economic Development</u>	
Community Attraction and Tourism Grants	\$ 12.0
River Enhancement Community Attraction and Tourism	10.0
ACE Vertical Infrastructure Community Colleges	5.5
 <u>Department of Education</u>	
Community College Infrastructure	2.0
 <u>Iowa Finance Authority</u>	
Revenue Bonds Appropriation - IJOBS	100.0
 <u>Department of Natural Resources</u>	
Lake Restoration and Dredging Projects	2.0
 <u>Department of Public Defense</u>	
Statewide Modernization - Readiness Centers	1.8
 <u>Regents</u>	
ISU - Veterinary Lab Phase II Animal Teaching Hosp	13.0
 <u>Department of Transportation</u>	
Public Transit Infrastructure	2.2
Commercial Airport Vertical Infrastructure	1.5
Total Distributions	<u>\$ 150.0</u>
Ending Balance	<u>\$ 0.0</u>



Government Reorganization

- Executive and Legislative Branch both completed studies of government reorganization and efficiency efforts during 2009.
- SF 2088 is making its way through the Legislature.
- Contains some savings items from the Executive Branch's report titled *Iowa Efficiency Report by Public Works LLC*, but not all. More bills are expected.

Government Reorganization

- The Public Works report estimated \$341.1 million of savings divided into three categories:
 - \$128.3 m of items that could be implemented by Executive action. (Exec. Order 20 – 12/16/09)
 - \$207.1 million of items recommended for legislative action.
 - \$5.7 million of items for further analysis and review.

Government Reorganization

- The Governor has used the \$341.1 million first-year savings figure in his FY 2011 General Fund budget recommendations.
- Review by the LSA indicates that not all savings are General Fund expenditure savings, but that some are General Fund increases, some are other fund expenditure savings, and some are other fund revenue increases.
- The LSA has not completed the review of all the savings identified in the report.
- To date, the LSA has determined that of the \$341.1 million:
 - \$173.6 is estimated General Fund savings.
 - \$84.9 million is General Fund Revenue and would be subject to the expenditure limitation.
 - \$1.9 million is an increase in other fund expenditures.
 - \$1.3 million is an increase in other fund revenue.

Other Potential Budget Issues

- **Collective Bargaining** - The Governor does not include a recommendation to fund collective bargaining in FY 2011. In FY 2010, the General Assembly did not appropriate additional funds for salary expenditures.
- Estimated need for FY 2011 is \$143.5 million, including \$85.7 million from the General Fund. The estimate includes \$60.3 million for the Board of Regents, including \$36.4 million from the General Fund.
- AFSCME and SPOC agreed on memorandums of understanding that had an impact on FY 2010 expenditures. *In addition, agencies realized savings from days off without pay and the suspension of the State match on retirement contributions which will have to be accounted for unless the cost savings measures are extended into FY 2011.*

Potential Budget Issues

- **Early Termination Incentives** - Senate File 2062 (Early Retirement), as passed by the Senate, establishes a State Employee Retirement Incentive Program for eligible employees of the Executive Branch of the State and makes the Program optional for the Legislative and Judicial Branches, and the Board of Regents institutions.
- FY 2010 estimated cost avoidance of \$6.1 million for all funds, including \$2.8 million for the General Fund.
- FY 2011 estimated cost avoidance of \$57.4 million for all funds, including \$26.4 million for the General Fund. Public Works LLC estimated a FY 2011 savings of \$59.8 million shown as State funds. Their estimate was for all funds.

Potential Budget Issues

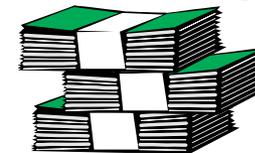
- **Senior Living Trust Fund** - The Governor recommends appropriating all available proceeds from the Senior Living Trust Fund in FY 2011. The appropriations include:
 - \$37.7 million for Medicaid.
 - \$8.4 million to the Department on Aging for Community-Based Services.
 - \$1.3 million to the Department of Inspections and Appeals for Assisted Living/Adult Day Care Oversight.
 - \$0.7 million to the Iowa Finance Authority for the Rent Subsidy Program

Potential Budget Issues

- **Human Services Reinvestment Fund** - The Governor is not recommending a backfill for any of the FY 2010 appropriations from the Human Services Reinvestment Fund. The Fund appropriated a total of \$16.1 million including:
 - \$0.8 million to the Iowa Juvenile Home
 - \$1.3 million to the State Training School at Eldora
 - \$0.7 million to the Cherokee MHI
 - \$0.8 million to the Clarinda MHI
 - \$1.2 million to the Independence MHI
 - \$0.2 million to the Mt. Pleasant MHI
 - \$0.3 million to the Mental Health State Cases Program
 - \$0.5 million to the Cherokee CCUSO Program
 - \$8.3 million to DHS Field Operations
 - \$1.5 million to DHS General Administration
 - \$0.3 million for the Health Care Coverage Commission

Potential Budget Issues

- **Federal Recovery and Reinvestment Fund - The Governor is not recommending a backfill for the following appropriations for FY 2010 from the Federal Recovery and Reinvestment Fund (FRRF):**
 - Department of Human Services
 - \$10.0 million to the Risk Pool Property Tax
 - \$681,000 to Field Operations
 - \$1.2 million to Child and Families Services
 - Department of Public Health
 - \$700,000 for Elderly Wellness
 - \$500,000 for Community Capacity
 - \$1.8 million for Resource Management



Potential Budget Issues

- **Federal Tax Law Changes** - The federal tax code has many tax credit, tax rate, and tax base provisions expiring December 31, 2010. It is up to the U.S. Congress and the President to decide over the next year, whether those tax provisions will be allowed to expire, will be renewed, or will be modified for tax years after December 31, 2010.

Since Iowa allows individual income taxpayers to deduct federal income taxes from their Iowa taxable income, substantial changes to the federal tax code can result in significant changes to Iowa tax liability, and therefore, Iowa General Fund revenue. The course of federal action on these expiring tax issues may not be clear until December 2010.

Potential Budget Issues

- **Environment First Fund Reductions** - The Governor is recommending a reduction in appropriations from the Environment First Fund of \$7.0 million (16.7%). This includes a reduction of \$1.1 million (41.2%) to the Watershed Protection Fund in the Department of Agriculture and Land Stewardship, a reduction of \$6.0 million (33.3%) to the Resource Enhancement and Protection (REAP) Fund in the Department of Natural Resources (DNR), and a reduction of \$500,000 (100.0%) to the Brownfields Redevelopment Program in the Department of Economic Development.

The Governor is recommending two programs in the DNR receive additional funding, including an increase of \$1.5 million (61.2%) for State Parks operations and maintenance and an increase of \$248,000 (\$68.9%)for the regulation of animal feeding operations.

Potential Budget Issues

- **Rebuild Iowa Infrastructure Fund** - The Governor is recommending deappropriation of \$19.3 million from existing FY 2010 Rebuild Iowa Infrastructure Fund (RIIF) appropriations, including a reduction of the appropriation to the Grow Iowa Values Fund from \$45.0 million to \$27.5 million.
- This action corrects the negative balance in the RIIF that was due to a decrease in wagering taxes and interest earned. Under current law, \$139.7 million in FY 2011 appropriations were previously enacted or were provided through a standing appropriation from the RIIF.
- The Governor's proposed budget adjusts several of these appropriations by eliminating them, reducing them, or moving them to other funds, such as the Revenue Bonds Capitals Fund or the new I-JOBS Revenue Bonds II Fund.

Chart 9 - Iowa Job Losses Around Significant Recessions
 Computed from Annual Average of Nonseasonally Adjusted Numbers
 Expressed in October 2008 Job Numbers

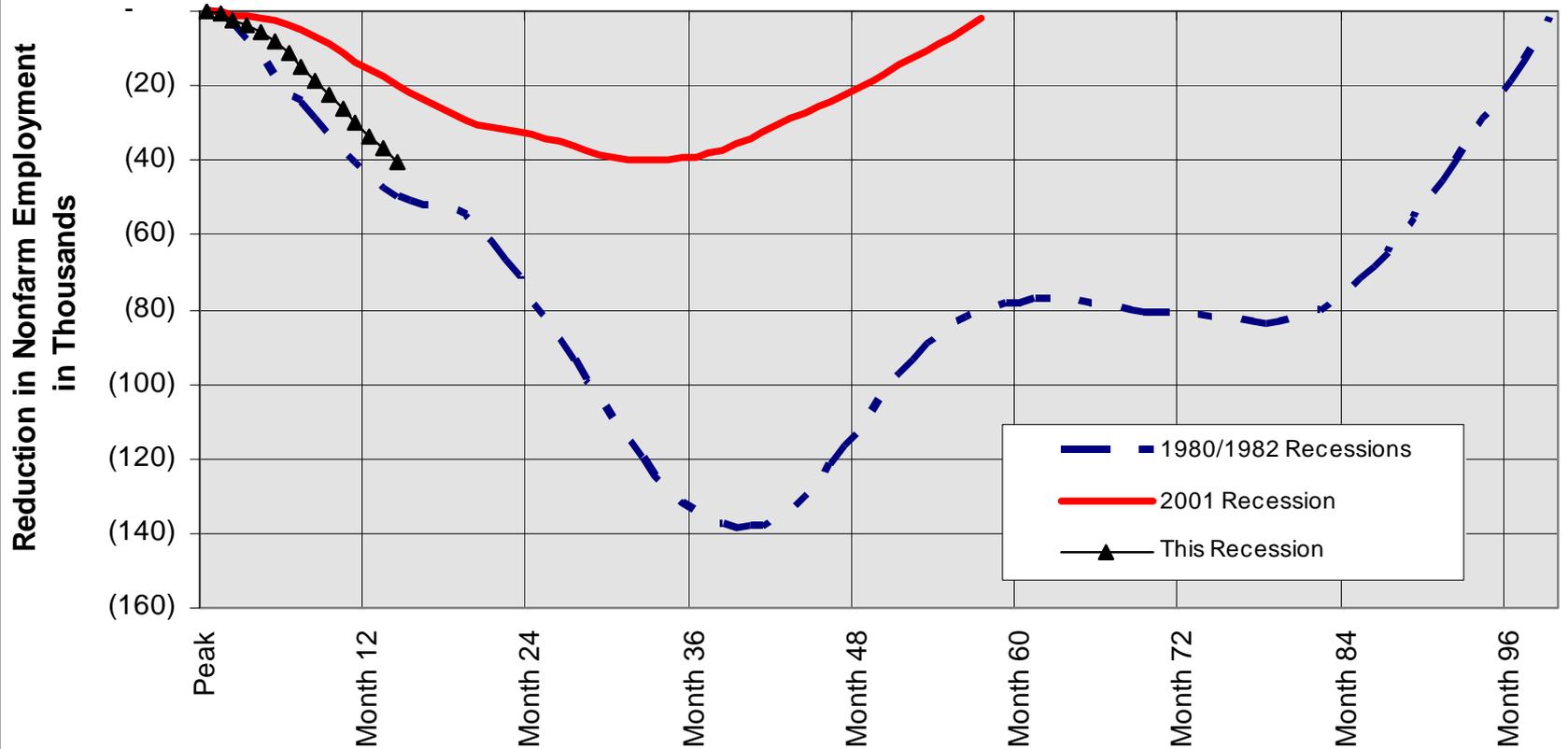


Chart 10 - General Fund Net Revenue One Year Moving Total

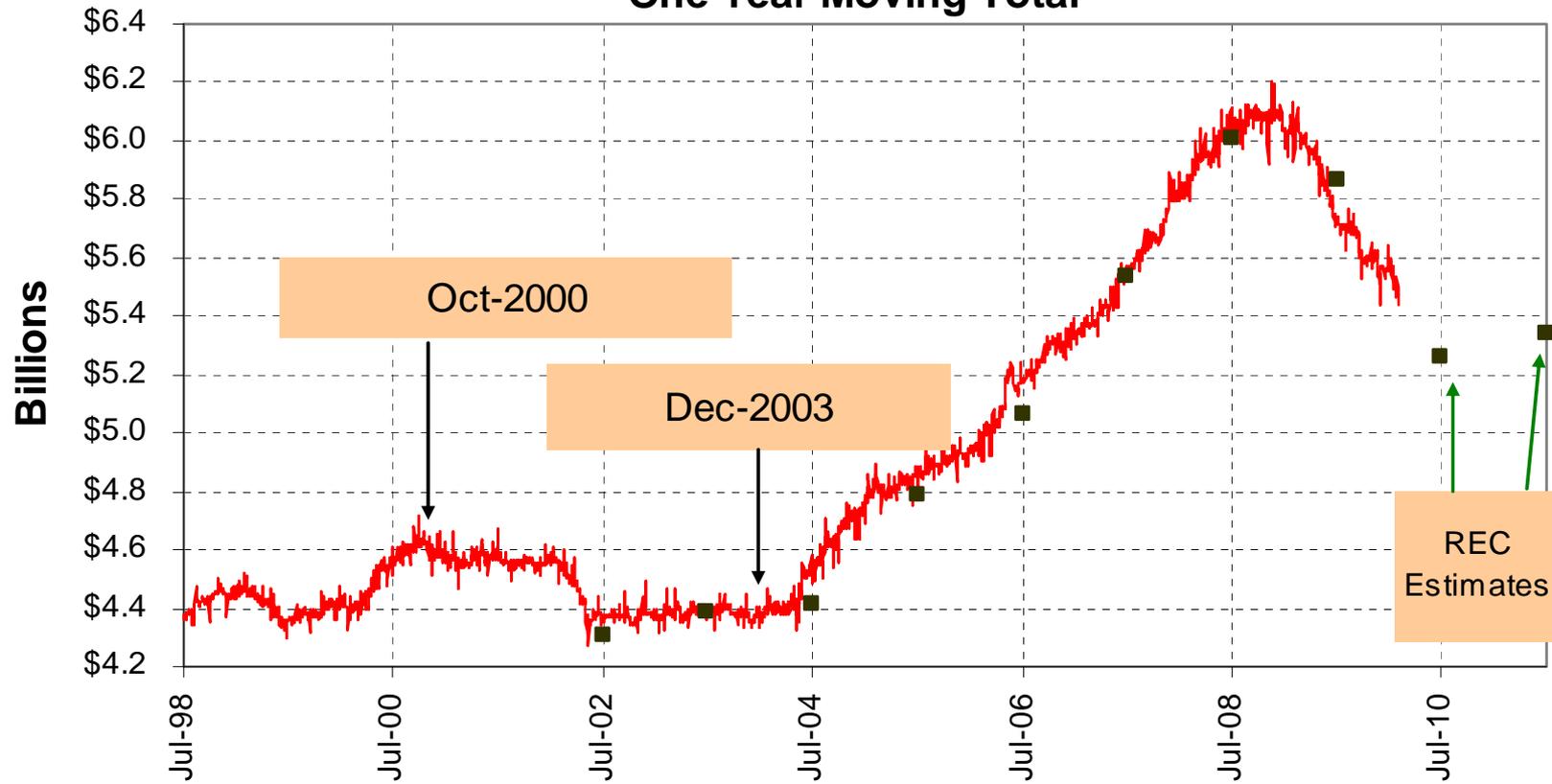
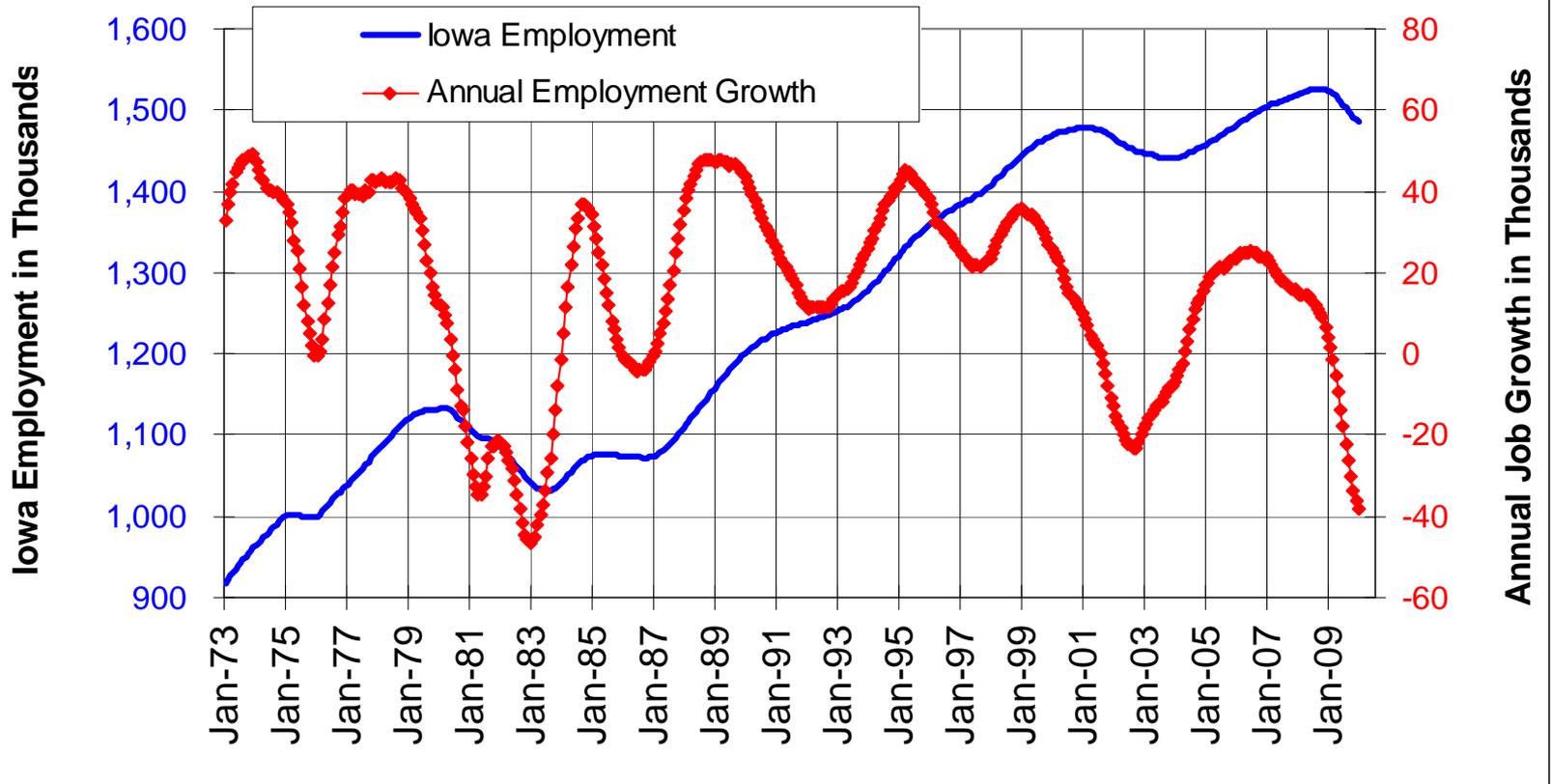


Chart 8 - Iowa Employment and Year-over-Year Growth
Nonfarm Employment - 12 Month Average



FY 2010 and FY 2011 REC General Fund Revenue Projections

	% Change		REC	% Change	REC	% Change
	FY 09 vs.	FY 08	FY 10	FY 10 Est.	FY 11	FY 11 Est.
	Actual	Actual	Estimate	vs. FY 09	Estimate	vs. FY 10
			11-Dec-09	Actual	11-Dec-09	Estimate
Tax Receipts						
Personal Income Tax	\$3,330.7	-0.9%	\$3,210.6	-3.6%	\$3,225.6	0.5%
Sales/Use Tax	2,327.4	16.4%	2,205.2	-5.3%	2,228.2	1.0%
Corporate Income Tax	416.5	-13.9%	341.2	-18.1%	341.1	0.0%
Inheritance Tax	75.4	-3.8%	65.0	-13.8%	69.6	7.1%
Insurance Premium Tax	90.0	-19.4%	82.0	-8.9%	89.4	9.0%
Cigarette Tax	215.8	-6.0%	201.1	-6.8%	197.0	-2.0%
Tobacco Tax	23.0	8.5%	24.5	6.5%	24.5	0.0%
Beer Tax	14.7	1.4%	14.4	-2.0%	14.4	0.0%
Franchise Tax	33.7	-10.4%	30.3	-10.1%	33.0	8.9%
Miscellaneous Tax	2.4	140.0%	1.3	-45.8%	1.4	7.7%
Total Tax Receipts	\$6,529.6	3.0%	\$6,175.6	-5.4%	\$6,224.2	0.8%
Other Receipts						
Institutional Payments	\$15.5	4.0%	\$14.7	-5.2%	\$14.7	0.0%
Liquor Profits	85.5	18.1%	81.0	-5.3%	82.6	2.0%
Interest	14.6	-42.3%	5.0	-65.8%	5.0	0.0%
Fees	77.7	-5.4%	50.5	-35.0%	49.0	-3.0%
Judicial Revenue	98.8	9.8%	114.0	15.4%	114.0	0.0%
Miscellaneous Receipts	39.8	10.6%	36.3	-8.8%	34.5	-5.0%
Racing and Gaming	60.0	0.0%	66.0	10.0%	66.0	0.0%
Total Other Receipts	\$391.9	2.9%	\$367.5	-6.2%	\$365.8	-0.5%
Gross Tax & Other Receipts	\$6,921.5	3.0%	\$6,543.1	-5.5%	\$6,590.0	0.7%
Accrued Revenue (Net)	\$17.2		\$-13.9		\$18.2	
Refunds (Accrual Basis)	\$-803.9	19.1%	\$-901.0	12.1%	\$-898.0	-0.3%
School Infras. Refunds (Accrual)	-\$385.8		\$-369.3		\$-374.2	
Total Net Receipts	\$5,749.0	-4.5%	\$5,258.9	-8.5%	\$5,336.0	1.5%
Transfers (Accrual Basis)						
Lottery	\$56.6	2.4%	\$58.0	2.5%	\$62.0	6.9%
Other Transfers	128.4	1237.5%	84.3	-34.3%	5.2	-93.8%
Net Receipts Plus Transfers	\$5,934.0	-2.5%	\$5,401.2	-9.0%	\$5,403.2	0.0%
Estimated Gambling Revenues	\$216.2	-2.0%	\$206.7	-4.4%	\$201.3	-2.6%
Deposited To Other Funds						

See LSA p. 32



Growth Rate Necessary

- Each 1.0% revenue growth represents about \$55 to 60 million dollars in revenue impact.

1% - \$60 million

2% - \$120 million

3% - \$180 million

4% - \$240 million

5% - \$300 million

- Historical growth rates
 - FY 2006 – 3.6%
 - FY 2007 – 6.4% (cig tax effective in March)
 - FY 2008 – 7.9% (cig tax – full year)
 - FY 2009 – (-4.5%)
 - FY 2010 – (-8.5%)

Fiscal Topics Recently Published

- Jan 5, 2010 -- [Legal Representation for Indigent Defendants](#)
- Dec 31, 2009 -- [Regents Universities Total Revenues and Expenditures](#)
- Dec 29, 2009 -- [Volunteer Fire Departments](#)
- Dec 29, 2009 -- [Military Service Member Home Ownership Program](#)
- Dec 29, 2009 -- [Iowa Veterans Cemetery](#)
- Dec 29, 2009 -- [Enhanced 911 Program](#)
- Dec 10, 2009 -- [Criminal Fine Revenue and Surcharge Distribution](#)
- Dec 2, 2009 -- [Senior Living Trust Fund](#)
- Nov 6, 2009 -- [Resource Enhancement and Protection \(REAP Fund](#)
- Nov 6, 2009 -- [History of Changes to Road Funding Distributions in Iowa](#)
- Nov 6, 2009 -- [Peace Officers Retirement Fund](#)
- Nov 6, 2009 -- [411 System Deferred Retirement Option Plan](#)
- Nov 6, 2009 -- [IPERS Retirement Dividend Payments](#)
- Nov 5, 2009 -- [Medicaid HCBS Waivers](#)

Fiscal Topics

- Oct 29, 2009 -- [Social Services Emergency Disaster Relief Grant](#)
- Oct 29, 2009 -- [Iowa College Student Aid Commission](#)
- Oct 28, 2009 -- [Shelter Care](#)
- Oct 28, 2009 -- [Community College Revenue](#)
- Oct 20, 2009 -- [Across-the-Board Reductions](#)
- Sep 25, 2009 -- [School Aid Formula - Additional Levy Components](#)
- Sep 21, 2009 -- [FY 2009 State Gaming Revenues](#)
- Aug 19, 2009 -- [Environment First Fund](#)
- Aug 12, 2009 -- [Community-Based Corrections](#)

Issue Reviews

Jan 27, 2010 -- [Narrowband Mandate and Statewide Interoperability](#)

Jan 21, 2010 -- [Regents Employees FY 2001 - FY 2010](#)

Jan 21, 2010 -- [Court Debt Collection](#)

Nov 25, 2009 -- [FY 2011 General Fund Budget Projection](#)

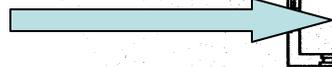
Oct 29, 2009 -- [School Aid Funding for FY 2010 and FY 2011](#)

Sep 21, 2009 -- [Community Empowerment](#)

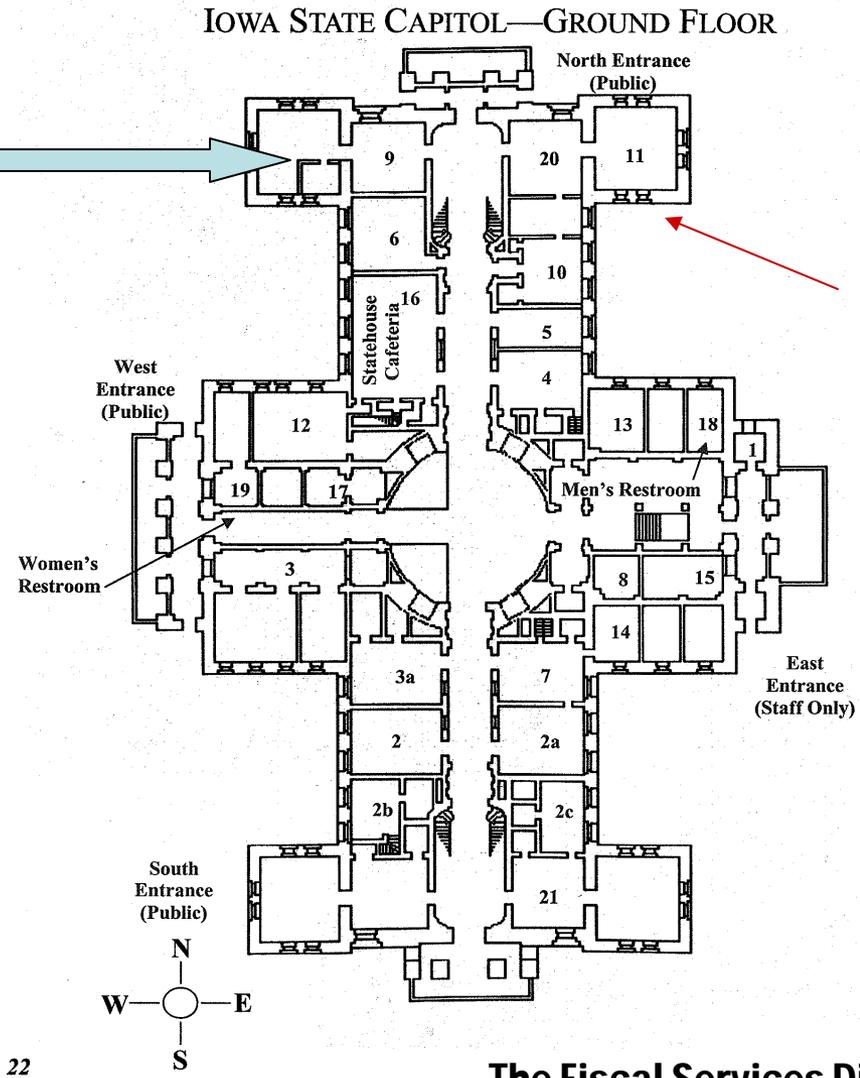
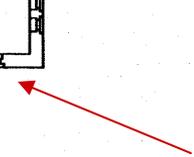
The General Assembly's web site:

<http://www.legis.state.ia.us/>

LSA
Main
Office



Tunnel to
Miller Bldg



22



LSA: Feb. 2010

The Fiscal Services Division web site:

<http://staffweb.legis.state.ia.us/lfb/>